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IN THE

Supreme Court of the United States

BELLSOUTH ADVERTISING & PUBLISHING CORPORATION,

Petitioner,

v.

TENNESSEE REGULATORY AUTHORITY, *et al.*,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE SUPREME COURT OF TENNESSEE, MIDDLE DIVISION

BRIEF *AMICUS CURIAE* OF THE YELLOW PAGES INTEGRATED MEDIA ASSOCIATION IN SUPPORT OF THE PETITION FOR WRIT OF CERTIORARI

ROGER P. FUREY
KATTEN MUCHIN ZAVIS ROSENMAN
1025 Thomas Jefferson St., N.W.
East Lobby, Suite 700
Washington, D.C. 20007
(202) 625-3500

CHARLES M. STERN
Counsel of Record
KATTEN MUCHIN ZAVIS ROSENMAN
2029 Avenue of the Stars
Suite 2600
Los Angeles, CA 90067
(310) 788-4570

MARTIN E. KARLINSKY
KATTEN MUCHIN ZAVIS ROSENMAN
575 Madison Avenue
New York, NY 10022
(212) 940-8800

Attorneys for Amicus Curiae

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INTEREST OF *AMICUS*

The Yellow Pages Integrated Media Association (the "Association") submits this brief as *amicus curiae* in support of the petition for a writ of certiorari to review a judgment of the Supreme Court of Tennessee of Petitioner BellSouth Advertising & Publishing Corporation ("BAPCO").[1]

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[1] Pursuant to Rule 37.3(a) of the Rules of this Court, *amicus* has obtained and lodges herewith the written consents of the parties to the submission of this brief.

(Continued...)

The Association is a trade association, formed as a non-profit corporation in 1988 as the successor of two prior Yellow Pages trade associations, one that dealt with national Yellow Pages advertising, the other with local Yellow Pages advertising. The older of these predecessor organizations, the National Yellow Pages Service Association ("NYPSA"), was formed in 1975, when the Bell System (of the American Telephone & Telegraph Company) divested itself of management of the Yellow Pages operations of the Regional Bell Operating Companies ("RBOCs"). The membership of the Association is comprised of publishers of both print and electronic Yellow Pages directories; authorized, or "certified," marketing representatives ("CMRs") who sell national Yellow Pages advertising for publisher-members; and associate members, such as printers, software providers, and others who do business with the Yellow Pages industry. The Association is the largest trade association in the Yellow Pages industry.

The number of Association publishers has grown steadily over the years. Starting with 59 publisher-members of NYPSA in 1975 (consisting mainly of the RBOCs and some smaller independent publishers), by the end of 2001 the Association had 166 publisher-members worldwide. These range from

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Pursuant to Rule 37.6, *amicus* affirms that no counsel for a party authored this brief in whole or in part, and that no person, other than *amicus*, made a monetary contribution to its preparation or submission.

the largest publishers in the industry, such as BellSouth Corporation and SBC Communications, Inc., to an array of smaller publishers including "mom and pop" companies, domestic publishers of foreign language directories, and foreign publishers. A central function and purpose of the Association is to promote competition in the telephone directory industry. By taking advantage of Association facilities, small start-up companies have been able to join the Yellow Pages industry by publishing their own books and to compete for advertising dollars in the markets where the RBOCs and other established publishers distribute their directories.

For the reasons set forth below, it is vitally important that both existing and incipient directory publishers be able to distinguish their products and services by using their distinctive trademarks and logos to identify themselves as the unique source of their own directories. Even before the break-up of the Bell System, public confusion made it difficult for publishers to carve out their own identities and products. With the advent of deregulation and the proliferation of competitive local exchange carriers ("CLECs"), telephone directory publishers have had to expend more money and ingenuity in showing consumers and advertisers that they are not just another arm of the local "telephone company" and that they are publishing something different from the familiar "telephone book."

Although the rulings of the Tennessee Regulatory Authority ("TRA") at issue in this case apply only to white pages directories published by

local exchange carriers, they also necessarily will affect the covers of the many Yellow Pages directories that are published in combination with those white pages directories. The Association urges that a writ of certiorari issue to review the decision, which impinges on the First Amendment and trademark rights of telephone directory publishers.

SUMMARY OF ARGUMENT

The TRA's orders compel directory publishers to display their competitors' trademarks on the covers of directories. This violates the publishers' rights under the First Amendment to speak as they wish about their own products and services, as long as they speak truthfully. Furthermore, the TRA has interfered with a mechanism—trademark law—that was carefully designed by Congress nearly 100 years ago to communicate essential information to consumers. Tennessee consumers in areas subject to the TRA orders must now struggle to determine who is the creator and guarantor of quality for telephone directories, in a marketplace already prone to confusion following the breakup of the Bell monopoly and the restructuring of the telecommunications industry.

Although the TRA sought to justify its action by citing a need to enhance competition, its orders will have the opposite effect. And other jurisdictions dealing with this issue, and seeking to promote competition in their local markets, have developed effective means of doing so without interfering with the trademark rights of telephone directory publishers.

proper trademark usage. The TRA orders, therefore, improperly and unnecessarily infringe on the First Amendment rights of publishers of telephone directories.

ARGUMENT

I. THE TRA'S ORDERS WILL NOT SERVE THE IDENTIFIED STATE INTERESTS, AND THEY SERIOUSLY INTERFERE WITH THE RIGHT OF TELEPHONE DIRECTORY PUBLISHERS TO MAKE USE OF THEIR TRADEMARKS

The petition presents the question of whether the TRA's orders should be reviewed under the First Amendment test set forth in *Central Hudson Gas & Electric Corp. v. Public Service Comm'n*, 447 U.S. 557 (1980), or under the more lenient test set forth in *Zauderer v. Office of Disciplinary Counsel*, 471 U.S. 626 (1985). The Association supports BAPCO in its assertion that the Tennessee Supreme Court erred in refusing to apply the *Central Hudson* standard in this case, and in applying the more liberal standard set forth in *Zauderer*. Under either standard, however, the TRA's regulatory action violates the First Amendment right of free speech because compelled use of the trademarks of BAPCO's competitors on the cover of a telephone directory will cause consumer confusion and do irreparable harm to the competitive marketplace. Accordingly, the TRA orders do not "directly advance" (*Central Hudson*) nor are they "reasonably related" (*Zauderer*) to the governmental interests identified by the TRA and Tennessee Supreme Court.

The TRA's orders force BAPCO to do something that may be unprecedented in the field of trademarks. Under the TRA orders, BAPCO must place the trademarks of companies that have nothing to do with the preparation and distribution of the directories on the front cover of the directories, "in like manner to the [BellSouth] name and logo." Pet. App., 5a. This requires display of not just the names of all companies providing local service—but their distinctive, source-indicating logos (i.e., trademarks). Specifically, BAPCO was required to place the famous AT&T "Globe" trademark and less famous Nextlink trademark together with the BellSouth and design trademark on the directory cover, sending a jumbled message to consumers.

Trademarks have long served a critical role in commerce, and in the "indispensable" free flow of commercial information that is essential to a free enterprise system. *See Rubin v. Coors Brewing Company*, 514 U.S. 476, 481 (1995), quoting *Virginia State Bd. of Pharmacy v. Virginia Citizens Consumer Council, Inc.*, 425 U.S. 748, 765 (1976). Indeed, trademarks have been used to communicate essential information regarding source of goods and reputation of supplier since the late Middle Ages, as the distance between the makers of goods and their customers increased. Frank I. Schechter, THE HISTORICAL FOUNDATIONS OF THE LAW RELATING TO TRADE-MARKS 129 (1925).[2] As society evolved, proper use of

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[2] Before that time, marks served a liability function (to

(Continued...)

trademarks became more and more necessary. The barrels of pickles in the general store gave way to bottled pickles, and the Heinz® trademark replaced the storeowner as the guarantor of quality for the consumer. Jerre B. Swann, Sr., David A. Aaker and Matt Reback, TRADEMARKS AND MARKETING 8 (2001).

Recognizing the important role that trademarks play in communicating commercial information to the consumer, Congress enacted the Lanham Act in 1946,[3] declaring that "a sound public policy requires

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identify the artisan responsible for the goods) and a preclusive function (preventing the sale of an artisan's goods in the guild's territory). *Id.* at 47.

[3] As enacted, Section 32 of the Lanham Act proscribed words likely to confuse "purchasers as to . . . source of origin." Lanham Act, ch. 540, § 32, 60 Stat. 427, 437 (1946) (codified as amended at 15 U.S.C. § 1114 (1995). Before this, Section 16 of the Trade-Mark Act of 1905 protected trademark owners and the public from the "colorable imitation" of a registered mark on "merchandise of substantially the same descriptive properties." Trademark Act of 1905, ch. 592, § 16, 33 Stat. 724, 728 (1905). In 1962, Congress further expanded the protection afforded by the Lanham Act by prohibiting the use of words likely to confuse. Act of Oct. 9, 1962, Pub. L. No. 87-772, § 17, 76 Stat. 769, 773-74. Today, therefore, protection of trademark rights under federal law extends to any form of "affiliation, connection, or association" generated by one symbol with that of another. 15 U.S.C. § 1125(a)(1)(A) (1994).

that trademarks should receive nationally the greatest protection that can be given them." *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 193 (1985), quoting S. REP. NO. 1333, 79TH CONG., 2d Sess., 5 (1946).

> The Lanham Act provides national protection of trademarks in order to secure to the owner of the mark the goodwill of his business *and to protect the ability of consumers to distinguish among competing producers.* National protection of trademarks is desirable, Congress concluded, because trademarks foster competition and the maintenance of quality by securing to the producer the benefits of good reputation.

469 U.S. at 198 (internal citations omitted) (emphasis added); *see also Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 782 (1992) (intent of Lanham Act is "to protect the public from deceit, to foster fair competition, and to secure to the business community the advantages of reputation and good will by preventing their diversion from those who have created them to those who have not").

This clear intent of Congress, as identified and confirmed by the Court on numerous occasions, is ill served by the TRA's requirement that producers of telephone directories display multiple trademarks (belonging to different companies) on the directory covers. That is precisely where consumers look to identify the source of the books. They have been

"trained" by a lifetime of seeing trademarks on products and understanding that those marks serve as indicia for the source of those products. One of AT&T's witnesses in the hearing before the TRA explained the importance of the cover in communicating information to consumers, and how trademarks stand out in the minds of consumers:

> The cover of the phone book is a simple, direct, and very important means to communicate to Tennessee consumers.... The cover of the book does tell the consumer what's inside. They read it by its symbols, not by its fine print.

R. Vol. 15 at 64.

A consumer who sees the distinctive trademarks of AT&T and/or other telephone service providers prominently displayed on the cover of a directory, "in like manner to the [BellSouth] name and logo" will likely assume that those companies are in some way responsible for its publication. Consequently, the genuine producer of the directory will enjoy none of the benefits of trademark law. Furthermore, consumers will be deprived of accurate information upon which to base their decisions when selecting among the various competing directories that exist in every market today.

The genuine producer will also be saddled with any unfavorable associations that come with the third party trademarks. In this case, for example, one of the companies that BAPCO was required to include on the

covers, Nextlink, ceased to exist at some point subsequent to the issuance of the TRA orders when it merged with another company and became known as XO Communications.[4] XO subsequently filed for protection under the bankruptcy laws. Other telecommunication providers have been the subject of investigations and criminal proceedings. Obviously BAPCO has no control over any such events, but it (and every other publisher) must deal with whatever negative connotations come with being associated (through compelled co-branding of their directories) with other providers.

The Court does not have to rely on intuition and logic, however, to determine what impressions consumers form when exposed to directories containing competitors' trademarks. BAPCO submitted uncontroverted empirical evidence that this practice will severely hamper consumers in their efforts to distinguish the source of the directories disseminated by BAPCO. R. Vol. 17 at 125-126. The consumer survey conducted by marketing experts at BAPCO's request established that many consumers would mistakenly believe that the directory published by BellSouth's subsidiary was in fact published by one

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[4] The record is silent as to whether this occurred while directories containing the Nextlink trademark were still in circulation. Given the relatively lengthy lifespan of telephone directories, however, such changes in circumstances will inevitably occur from time to time while a directory is still in use.

or more of BellSouth's competitors, or that the other companies were in some way affiliated with BellSouth *Id.* On the other hand, there was no extrinsic evidence before the TRA that this unprecedented co-mingling of trademarks would somehow serve the government's asserted interest in advancing competition.

The telecommunications marketplace has expanded from a single local and long distance service in the 1970s to close to 50 long distance carriers and numerous local service providers today. AMA: MARKETING MANAGEMENT: Spring, 2000. When the Bell System was first broken up, new carriers offered a very limited choice of products. By the mid-1990s, however, carriers had begun to market as many as 75 different products and services, and there are more than fifty cellular service rate plans in most markets today. *Id.*

Trademarks are the consumers' tools for cutting through this overwhelming clutter of product options. They are "the shorthand that consumers use to guide their all important purchasing decisions," Scott M. Davis, BRAND ASSET MANAGEMENT: DRIVING PROFITABLE GROWTH THROUGH YOUR BRANDS 141 (2000), and they serve the function of "reduc[ing] the costs consumers incur in searching for what they desire." *Scandia Down Corp. v. Euroquilt, Inc.*, 772 F.2d 1423, 1429-30 (7th Cir. 1985). As Justice Frankfurter observed sixty years ago, "[t]he protection of trade-marks is the law's recognition of the psychological function of symbols. A trade-mark is a merchandising short-cut which ... [t]he owner . . . exploits . . . by making every effort to impregnate the atmosphere of the market with the

drawing power of a congenial symbol." *Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co.*, 316 U.S. 203, 205 (1942).

The members of the Association must rely heavily on their "congenial symbols" to differentiate themselves in today's cluttered environment, "as the subject matter of commercial transactions becomes . . . more complex and less tangible." Mark A. Lemley, THE MODERN LANHAM ACT AND THE DEATH OF COMMON SENSE, 108 Yale L.J. 1687, 1693 (1999). As to the smaller members, their very survival is threatened if they cannot effectively and quickly display their trademarks to busy consumers. See David A. Aaker and Erich Joachimsthaler, BRAND LEADERSHIP (2000) ("a brand that loses a measure of uniqueness also loses a measure of its ability to "[b]reak out of the clutter").

Indeed, because of the historical development of the telecommunications and directory publishing industries, non-confusing branding is all the more important. Before the break-up of the Bell System, consumers were accustomed to receiving from their local telephone company one directory that they assumed was the "official" directory; there was little or no competition in most directory markets. This telephone company directory often showed the familiar walking-fingers logo, which, like the phrase "Yellow Pages," was associated with the RBOC directories. To the extent other directories were available in some markets, they were often considered "rip-offs" or useless substitutes and paid little heed.

Today, the monopoly Bell System has been disassembled and markets opened up to new competition. The walking-fingers logo has been ruled generic by the courts and has been freely used by many publishers. A significant portion of consumers remain confused by the post-deregulation market and may not understand that there really is no "official" directory (distributed by the local telephone company) and that a directory is no less useful a product just because it comes from an independent publisher. The TRA orders will exacerbate this problem and will impose a substantial barrier for the smaller, new competitor seeking to enter the directory publishing market. If there is one directory that displays the trademarks of AT&T, Verizon and Sprint (or any other group of industry leaders, as required by application of the TRA orders), consumers may well assume that it is a kind of "super-official" directory. A competing directory published only under the name of a new entrant, when compared to the other, bigger directory displaying multiple trademarks of industry leaders, is likely to be dismissed as a bogus or suspect product, thus making it difficult if not impossible for the new entrant to compete.

For all of these reasons, a company's right to make unfettered use of its trademarks is deserving of the highest level of protection under the First Amendment. *See Sambo's Restaurants, Inc. v. City of Ann Arbor*, 663 F.2d 686, 694 (6th Cir 1981). Because the TRA's orders work at cross purposes with federal trademark law, which Congress intended to "protect the ability of consumers to distinguish among

competing producers," *Park 'N Fly, Inc.*, 469 U.S. at 193, the Court should grant certiorari.

II. THE RESTRICTIONS IMPOSED BY THE TRA ORDERS ARE MORE EXTENSIVE THAN NECESSARY AND ARE OVERLY BURDENSOME.

In addition to their failure to serve the governmental interests identified by the Tennessee Supreme Court and the TRA, the TRA's orders do not meet the *Central Hudson* test of whether "the speech restriction is not more extensive than necessary to serve the interest it supports." *Greater New Orleans Broad. Ass'n v. United States*, 527 U.S. 173, 188 (1999). It is not necessary to deny directory publishers or consumers the benefits of federal trademark law in order to serve the identified interest of promoting local telephone service competition in the Tennessee marketplace. The experience of regulatory agencies in other states is instructive.

The Public Utilities Commission of Ohio ("PUCO") is one of the regulatory authorities that has considered whether the names of all telephone companies providing service in a particular area should be included on the front cover of directories. The result was a new rule, which provided: "The front cover of the directory shall include the name of the local exchange companies which are served by that directory. . . ." ANDERSON'S OHIO ADMINISTRATIVE CODE, Rule 4901:1-5-06(C)(5) (1998).

During the proceeding that culminated in the new rule in Ohio, the PUCO rejected alternatives

offered by the incumbent carrier, Ameritech, stating "[t]he Commission concludes that neither of these alternatives offered by Ameritech are [sic] as effective as the proposed Rule for providing the public with an easily accessible method of informing the public of the [local exchange carriers] serving the area." *The Public Utilities Commission of Ohio, In the Matter of Amendment of the Minimum Telephone Service Standards as Set Forth in Chapter 4901:1-5 of the Ohio Administrative Code,* Case No. 96-1175-TP-ORD, Finding and Order, June 26, 1997 at page 21. After a rehearing, this rule became effective January 1, 1998.

At that point, therefore, the Ohio Commission was proceeding with an approach similar to that followed by the TRA. Like the TRA, the PUCO based its action on the desire to educate consumers that there were alternatives to the incumbent local exchange provider. Both wanted consumers to understand that the phone directories contained complete listings for the area served, regardless of which carrier was serving the subscriber.

Shortly after it issued its rule, however, the PUCO scaled back its requirement. Ameritech requested a waiver of the Ohio rule, so that in lieu of the required listing of companies it could place the following statement on the directory cover: "This directory includes the complete listings of all local exchange companies." The PUCO agreed to the waiver, explaining its rationale as follows:

> The Commission's main objective behind the [rule] was to inform the public that

> the directory includes the published and listed telephone numbers for subscribers of all the local exchange telephone companies providing service in the calling area covered with the directory. We believe that this same objective can be accomplished through a statement, on the front cover, which clearly informs the public that the directory includes the published and listed telephone number for subscribers of all the local exchange companies providing service in the calling area covered within the directory.

The Public Utilities Commission of Ohio, In the Matter of Amendment of the Minimum Telephone Service Standards as Set Forth in Chapter 4901:1-5 of the Ohio Administrative Code, Case No. 96-1175-TP-ORD, Entry, April 30, 1998, at page 3.[5]

The PUCO amended its rules again in 2001 to eliminate altogether the requirement that the names of competitors appear on the front cover of directories. *In the Matter of Amendment of the Minimum Telephone Service Standards as Set Forth in Chapter 4901:1-5 of the Ohio Administrative Code*, Case No. 00-1265-TP-ORD, Finding and Order, May 29, 2001. Instead, the PUCO adopted a rule requiring the directory to contain

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[5] Subsequently, GTE, United Telephone Company of Ohio d/b/a Sprint, and Cincinnati Bell Telephone Company received similar waivers.

certain information on the inside front cover and first pages of the directory, including "(d) [t]he name of the local service provider(s) and the locations and telephone numbers of the business offices as may be appropriate to the area(s) served by the directory immediately following the required emergency information." Thus, after first seeking to impose a requirement very similar to that imposed by the TRA, the Ohio agency responsible for this issue determined that there is a less restrictive way to accomplish the same goal.

Other states have similar requirements to that in Ohio. In New Mexico, for example, "[t]he White Pages Provider shall provide space in the customer guide pages of the White Pages directory to a CLEC for the purpose of notifying the customers how to reach the CLEC to request service, contact repair service, dial directory assistance, reach an account representative, request buried cable local service, and contact the special needs center for customers with disabilities." MICHIE'S NEW MEXICO ADMINISTRATIVE CODE, Section 17.11.18.13(F) (2002).

In Hawaii, the telephone directory must "[s]tate on the front cover the name of the telecommunications carrier issuing the directory, the area covered by the directory, and the month and year of issue." WEIL'S CODE OF HAWAII RULES, Section 6-80-64(a)(3) (2002). In addition, preceding the customer listings, the directory must contain detailed information relating to all other carriers whose customers' numbers are listed in the directory, including instructions on how to contact them and how to review their tariffs. WEIL'S

CODE OF HAWAII RULES, Sections 6-80-64(a)(4)(B) and (C) (2002).

In Texas, "[a] CTU (certified telecommunications utility) or its affiliate that publishes a white pages telephone directory on behalf of the CTU shall provide a single page per CTU in the information section of the white pages telephone directory, for the CTU to convey critical customer contact information regarding emergency services, billing and service information, repair services and other pertinent information. . . . " TEXAS ADMINISTRATIVE CODE, § 26.272(e)(1)(D)(vi).

These states have the same interest in promoting telephone competition and consumer awareness as does Tennessee, and they have come up with effective ways of advancing that interest without sacrificing the benefits of proper trademark usage. This is persuasive evidence that the drastic measure adopted by the TRA is more extensive than necessary to serve the interest it supports. The TRA rule, therefore, improperly infringes on the First Amendment rights of publishers of telephone directories. *Central Hudson* 447 U.S. at 564.

Should the Court agree with the Tennessee Supreme Court that the *Zauderer* standard is the proper standard to apply in this case of compelled speech, the TRA's order still does not pass Constitutional muster. As noted by the Tennessee Supreme Court, there must be a "fit between the legislature's ends and the means chosen to accomplish those ends." *BellSouth Advertising and Publishing Corporation v. Tennessee Regulatory Authority*, 79 S.W.

3rd 506 at 521 (2002), quoting *Board of Trustees of State University of N.Y. v. Fox*, 492 U.S. 469 at 480 (1989). The Court has further refined the Fox test in *City of Cincinnati v. Discovery Network*, stating that "if there are numerous and obvious less burdensome alternatives to the restriction on commercial speech, that is certainly a relevant consideration in determining whether the 'fit' between ends and means is reasonable." *City of Cincinnati v. Discovery Network*, 507 U.S. 410 (1993). As shown above, other states, in attempting to achieve the same ends as the State of Tennessee, have chosen much less burdensome alternatives. The Tennessee Supreme Court erred in determining that the TRA's order was consistent with the Supreme Court's ruling in Fox.

* * *

CONCLUSION

The Tennessee Supreme Court's decision is creating confusion in the marketplace, hindering competition among directory publishers, and causing grave and irreparable harm to the First Amendment and trademark rights of telephone directory publishers in Tennessee. The arena cries out for clarification and

for national uniformity, invoking the bedrock jurisdiction of the Court. The writ of certiorari to review the judgment of the Supreme Court of Tennessee should issue.

Respectfully submitted,

CHARLES M. STERN, ESQ.
(COUNSEL OF RECORD)
KATTEN MUCHIN ZAVIS ROSENMAN
2029 Avenue of the Stars
Suite 2600
Los Angeles, California 90067
(310) 788-4570

ROGER P. FUREY, ESQ.
KATTEN MUCHIN ZAVIS ROSENMAN
1025 Thomas Jefferson St., N.W.
East Lobby, Suite 700
Washington, D.C. 20007
(202) 625-3500

MARTIN E. KARLINSKY, ESQ.
KATTEN MUCHIN ZAVIS ROSENMAN
575 Madison Avenue
New York, New York 10022
(212) 940-8800

Attorneys for *Amicus Curiae*

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